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# THE BUDGET SPEECH 1999



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*Building today for  
a better tomorrow*

The Honourable Paul Martin, P.C., M.P.  
Minister of Finance

February 16, 1999

Canada



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# THE BUDGET SPEECH 1999



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Department of Finance  
Canada

Ministère des Finances  
Canada

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## Introduction

Mr. Speaker, let me begin, on behalf of the government, by expressing our appreciation to the Standing Committee of Finance and the many committees of caucus for the valuable work they have done in the lead-up to this budget.

Let me also express our gratitude to the great number of Canadians who have come forward to present their views. The sense of civic responsibility they have shown now falls to us to respect – to balance the sound perspectives they have advanced, as we prepare together for a new century.

It is an inescapable fact of life that a budget always brings its own special vocabulary. We talk in the language of rates and ratios, of percentages and decimals, of accounting methods and measures.

What all of this obscures is what budgets should be about.

It is to make the lives of Canadians better. It is to improve their standard of living.

It is to build today for a better tomorrow. For budgets are about more than entries in the books of a government; they are chapters in the progress of a people.

Canadians have always understood that the turnaround from the excesses, the high indebtedness of the recent past would not be as fast as any of us would like; that the challenges posed by rapid change are substantial, and that the bar set by globalization is very high. Canadians knew, therefore, that a long-term plan was needed.

Five years ago, we put that plan in place.

Today, it is working. And thus our responsibility is clear. It is to build on the success of previous years. And with this budget, we are.

This budget demonstrates that the finances of the nation are now in better shape than they have been in a generation – and that further progress lies ahead.

It is a budget that acts strongly on the highest priority Canadians have – strengthening their system of health care for today and tomorrow.

It is a budget that continues to equip Canadians to succeed in the 21<sup>st</sup> century.

And it is a budget that for the first time in many years offers tax relief to every taxpayer and it does so without using borrowed money.

## **Fostering a Growing Economy**

Mr. Speaker, the past year has been one of extraordinary economic uncertainty, a volatility that has demonstrated that no country today can shield itself fully from global turmoil.

However, the past year has proven as well that the steps that Canada has taken to strengthen its finances and economy are paying off.

There is no doubt we have felt the effect of the storm. As a result of the Asian crisis and its repercussions, our growth slowed from the robust pace of 1997 and early 1998.

Canada's West, particularly our forestry, energy and farming sectors, has suffered.

Yet it must also be recognized that, overall, the damage has not been as severe as it might have been – as severe as it would have been only a few years ago.

For example, job creation has been very strong. More than 450,000 new jobs were created last year, the large majority full-time and in the private sector, exceeding even the impressive pace set the year before. No other G-7 country – not even the United States – has matched our record.

This strong job performance has continued in 1999, with 87,000 jobs created in January alone. This pushed the unemployment rate down to 7.8 per cent – still too high – but its lowest level in almost nine years.

Job prospects for young people have improved significantly. Over the past 12 months, youth employment grew by 10 per cent – over 200,000 jobs – the best performance in over 25 years.

This year, in terms of economic growth, both the IMF and OECD expect Canada to be among the top performers of the G-7.

This is not to say there are no risks. Very clearly, there are.

The world is a long way from having the kind of architecture that will prevent or minimize economic crises in the future. We may have a global market. But we don't have a global framework to make it work for people. For Canada, putting this framework in place is a priority.

At home, the priority is also clear. We must equip Canadians to succeed in what remains an insecure world.

Mr. Speaker, as we continue to implement our plan, it is important to reconfirm the principles that underlie it, the values we seek to sustain and strengthen.

First, the government's deficit may be eliminated but we must never eliminate frugality from government.

There will be no rewind to the reckless spending of other people's money.

We must – and we will – govern as if every dollar counts – because every dollar does.

This budget demonstrates that. Program spending as a percentage of the economy will decline from 12.6 per cent this year to 12 per cent by 2000-01 – its lowest level in 50 years.

Second, we must never lose sight of the need to be balanced in our approach.

A successful society does not run on one cylinder. We must respond to the reality that success on one front requires action on several.

Third, we must never shy away from the need to make choices. A government with too many priorities is a government that has none.

That is why, for example, health care, knowledge and innovation constitute fully three-quarters of the new spending announced in this year's and last year's budgets, the first two in the era of balanced books.

Fourth, we must set aside any notion that acting in isolation is a sign of strength. It is not. In today's world, power lies in partnership. Canadians have a right to expect that their governments will work together.



Therein lies the importance of the Social Union Framework signed by the Prime Minister and premiers two weeks ago.

Fifth, we must focus on the longer term. Some of the greatest problems of the past arose when governments gave in to short-term pressures that threw them off course. If we are not to lose our way, we can never lose sight of the far horizon.

Finally, and most importantly, we must always be fair. If, at the end of the day, it is said that the books of Canada are better, but the lives of Canadians are not, we will not have succeeded.

The test of good government is not to protect privilege for the few. It is to provide opportunity for the many.

## **Maintaining Sound Financial Management**

Mr. Speaker, our country has finally left the era of deficit financing behind.

Last fiscal year, the federal government recorded its first budgetary surplus in 28 years.

As this fiscal year draws to a close, this March 31, it is clear we will again balance the books or better.

This will mark the first time in almost half a century that the federal government will have recorded two balanced budgets or surpluses, back to back.

Moreover, this budget confirms that we will balance the books – or better – next fiscal year and let me announce today that we will also balance the books – or better – in the year 2000-01.

This means four consecutive years of budgets in the black – only the third time this has happened since Confederation.

Of even greater significance, we will enter the new millennium as a country no longer saddling generations to come with a legacy of ever-increasing debt.

For well over a generation, Canada's debt-to-GDP ratio rose relentlessly. However, two years ago, as a result both of our action on the deficit and an economy that was growing, it began to fall meaningfully.



Last year, Canada's debt-to-GDP ratio recorded the largest single improvement in over 40 years, falling from 70.3 to 66.9 per cent.

This year and next year, we expect it will fall still further and by the year 2000-01, it will be under 62 per cent.

Looking beyond that, our commitment is to keep the debt ratio on a steady downward track, year after year.

Now, all of this may well sound arcane – some statistical addiction of economists – or Finance Ministers – far removed from the day-to-day concerns of Canadians.

But nothing could be further from the truth.

For it is Canadians who pay the price when government is forced to spend so much of each tax dollar simply to pay the interest on the national debt that it's unable to respond to their needs.

Three years ago, when the debt-to-GDP ratio was at its peak, 36 cents out of every revenue dollar – more than one third – went to debt interest.

This was money Canadians could not use to prepare for the future because their governments were too busy paying for the past.

Last year, with the debt ratio dropping, the portion of each revenue dollar servicing the debt also dropped – to 27 cents.

This means the beginning of a new flexibility, a new freedom to strengthen health care, to provide needed tax relief, to fight child poverty, to protect the environment and to invest in a more productive economy.

In short, balancing the books means a new strength to build today for a better tomorrow.

But it means, as well, that we can't stop the debt fight now. For there is something deeply wrong when the largest program the federal government has is paying interest on its debt – more than \$41 billion this year alone. To put this in perspective, that is almost twice the size of our next largest expenditure – pensions for Canada's seniors.

Therefore, the Debt Repayment Plan we announced in the last budget will remain in place.

First, we will, as we have done again today, present two-year fiscal plans based on prudent economic assumptions.

Second, we will continue to build into our financial plans a Contingency Reserve – a buffer against the unexpected.

And third, if the Contingency Reserve is not needed, it will continue to go directly to paying down the debt.

Mr. Speaker, following this course, not only have Canadians secured a financial victory that is remarkable by domestic standards. They have secured a victory that is remarkable by international standards as well.

The accounting method Canada uses to calculate its debt repayment is considered among the most rigorous in the world.

Many other major economies measure only the debt that is owed to markets.

On that basis, last year, we paid down \$9.6 billion in market debt. This year, we expect to pay down a similar amount, for a total of almost \$20 billion in just two years.

We are one of the few countries in the world that is actually paying down its debt.

Mr. Speaker, does this mean the challenges are all behind us? The answer is NO! The deficit may be eliminated but our debt ratio still remains the second highest of the G-7.

Furthermore, the Asian crisis remains with us and events in Brazil highlight the fragility of the world's economic recovery. We are weathering the storm much better than most. However, Canada's economists have cut their growth projections substantially from where they were at this time last year.

Despite these realities, as we prepared this budget, there were those who said we should take the risk that things will turn out vastly better than anticipated – that we should spend more, or that we should reduce taxes more; in other words, that it was time to cease being cautious with the finances of the nation, that we should now revert to the habits of the past.

Here is our response to those who hold those views.

We have always believed that the odds of reaching our goals must be better than a mere flip of a coin.

The very reason we are still on track to balance the budget or better in each of the next two years, the very reason we are not back into deficit despite a degree of global economic turmoil that literally no one foresaw a little over a year ago – all of this is the result of the cautious approach we have applied to our finances from the very beginning.

Furthermore, our careful approach has also ensured that we have the resources to respond to other unanticipated events – while at the same time safeguarding our financial health.

In 1996 and 1997, it gave us the capacity to provide assistance to those who suffered from the Saguenay and Red River floods.

In 1998, it allowed us to respond to the Ice Storm.

This year, it has enabled us to support Canada's farmers who are in difficulty.

To those who believe we can play Russian roulette with the nation's finances, let me simply say: No! We will not squander the opportunity Canadians have before them.

Mr. Speaker, that speaks to our nation's finances.

However, it does not, by itself, speak to our nation's future.

Taking care of the needs of our people does not end with taking care of the books.

A nation is not a corporation.

Markets do many things – and they do them well.

But there are many things they cannot do.

Markets cannot provide quality health care to all of us when we are sick.

They cannot prevent the gap between rich and poor from becoming an unbridgeable gulf.

They cannot deal with the root causes of homelessness or of violence against women.

Markets deal, as they should, in services and goods. They do not, however, deal with the common good. Therefore, we must.

We are not here to sit back and simply build up surpluses or pay down debt. Our purpose is not just to build a better bottom line. It is to build a stronger nation.

That is why, among other initiatives, we have provided new money for the Youth Employment Strategy, expanding it by 50 per cent, an initiative that has helped more than 100,000 young people each year gain valuable work experience.

That is why we are following through on our commitment to implement Gathering Strength – Canada’s action plan for and with Aboriginal peoples.

That is why we are devoting new resources to Overseas Development Assistance and why we are taking a leadership role in the international community to deal with the issue of crippling debt in developing countries.

That is why we are devoting significant new resources to youth justice – replacing the Young Offenders Act, protecting the public from the most violent and introducing new community-based programs to help others change their behaviour.

That is why we are improving the compensation and benefits of the men and women of the Armed Forces – Canadians who put their lives at risk every day around the world, and who have demonstrated uncommon dedication here at home helping their country cope with a series of natural disasters.

And that is why in this budget we are making the largest single expenditure we have made in any area since taking office – strengthening health care for the future.

## **Strengthening Health Care for Canadians**

Mr. Speaker, over the decades, Canadians have made a series of defining decisions.

They were decisions about much more than some government program. They were decisions about what kind of country we wanted to be. They were the decisions that led to Medicare.

Today, it falls to us to take the steps necessary to safeguard that great legacy, to sustain and strengthen our health care system today and for the future.

Canadians do not need to be convinced that health care is a priority.

They worry about crowded emergency rooms, about understaffed wards, about waiting lists for tests and for treatment.



They worry about the costs of paying for services or drugs that are not covered.

The short-term pressures and problems in our system must be dealt with. At the same time, we must plan for the longer term.

The Minister of Health has put it very well:

“What we must strive for is a people-centred system in the truest sense, one that ensures the right care by the right provider at the right time in the right place – at reasonable cost.”

That is why the first major investment we made when it was clear that deficit elimination was at hand was to raise the annual cash floor of the Canada Health and Social Transfer – the CHST – from \$11 billion to \$12.5 billion.

Today, with the books balanced we are able to do more. As the Prime Minister wrote last month in response to a letter from the premiers, and I quote:

*“Our collaborative work on a renewed health partnership and on a new social union partnership more generally, along with increased health funding, will reassure Canadians that governments are working together to address their health and other social needs.”*

Mr. Speaker, today we are announcing a significant increase in transfers to the provinces to support health care and a number of other initiatives which strengthen the federal government’s contribution to Canada’s health system.

Over the next five years, we will invest an additional \$11.5 billion through the Canadian Health and Social Transfer.

\$2 billion in new cash will be received by the provinces in the first year, continuing in the second.

In the third year, this will rise to \$2.5 billion and remain at that higher level for the fourth and fifth years.

This means that cash transfers under the CHST will increase from the current \$12.5 billion to \$15 billion within three years – by 2001-02.

This will bring the health component of the CHST to the level it was before the period of restraint in the mid-1990s.

Furthermore, flexibility will be given to the provinces to determine the timing of when they receive these funding increases over the first three years, so as to best enable them to meet the particular health needs of their citizens.

Mr. Speaker, the \$11.5 billion in additional cash together with the value of tax transfers, which will also grow over this period, means that total CHST transfers will reach a new high by 2001-02.

Furthermore, while this is a substantial investment, it is by no means the end of the story. As our financial flexibility increases in the years ahead, health care will continue to be very much one of the key priorities for further action.

Mr. Speaker, in addition to the new funding we have just announced, we have also worked with the provinces and territories to renew all major fiscal arrangements for five years, and to do so on a fairer basis.

Mr. Speaker, we are renewing and strengthening the Equalization program.

This program reflects the shared commitment of all Canadians. It provides provinces that are less well off with the resources they need to provide reasonably comparable public services, including health care, to their people.

That is why Equalization was one of the few programs left totally untouched when virtually all other spending was reduced as we grappled with the deficit challenge.

Two weeks ago, legislation was tabled to renew the program with improvements.

Over the next five years, Equalization payments are projected to total more than \$50 billion. This is considerably more than the provinces received over the past five years – in fact, \$5 billion more.

Moreover, official estimates at the time of the last budget indicated that we would be providing the provinces with \$8.5 billion in Equalization this year.

However, the latest data indicate that payments this year will now total \$10.7 billion, \$2.2 billion more than projected in the 1998 budget.

And next year, Equalization payments will be \$600 million higher than projected.

In summary, as a result of increased CHST funding and higher Equalization, more money will be available for public services, including health care, throughout the country.

For example, from now to the end of the next fiscal year, in March 2000, as a result of the increases in the CHST and higher Equalization payments \$4.2 billion in new cash will be made available to the provinces.

Mr. Speaker, the continued vitality of Equalization depends upon the willingness of Canadians to share Canada's prosperity. This requires that all Canadians be treated fairly and equally.

In 1990, the previous government limited the growth in transfers to Ontario, Alberta and B.C. for social assistance and social services. This has meant, on a per capita basis, residents of those provinces have not received as much as residents of other provinces from the CHST.

In 1996, we began to address this disparity. Legislation was passed that would cut the per capita differences in CHST funding in half in four years time.

Today, we are moving much further and faster than that.

We are announcing the full restoration of equal per capita entitlements for all provinces – and this will be completed in three years.

Mr. Speaker, the decisions we are announcing today are about much more than dollars and cents.

They are about a fundamental choice Canadians have made about the kind of society in which we want to live.

The fact is, in response to the health care challenge, some have said the answer is easy. Eliminate equal access. Make wealth status, not health status, the ticket to quality health care.

Well, to those who hold those views, let me say this. No, not now, not ever.

What we must always make clear is that the circumstances of the many, not the advantages of the few, will guide our decisions. For each and every Canadian, that means good health must never become captive to good fortune.

Our health care system is blind to income so that its eyes can focus on need. It must – and it will – remain so.

Mr. Speaker, as the Minister of Health has said, and I quote: “We spend \$80 billion a year as a country on health care, and it is astonishing how little we know about what we get for that money.”

Canadians have the right to know how their health dollars are being spent. They have a right to know if the quality of their system is improving.

Health care providers need the best information possible if they are to provide high quality care for their patients.

Governments, as well, need to know what’s working, what’s not – and why.

This budget announces four major initiatives that will significantly improve the health information made available to Canadians.

These initiatives flow from the understanding on health and the Social Union Framework, and will be implemented in a manner consistent with both.

First, we are making an investment that will lead to valuable annual progress reports to the Canadian people. One will provide insight on the health of Canadians. Another will look at the health care system itself – for example, the situation with regard to waiting lists, the most effective treatments available and the best use of resources.

Second, this budget provides funding to build a National Health Surveillance Network.

This network will be able to identify the outbreak of serious illness – from salmonella to flu to tropical diseases – so that preventive measures can be taken to manage and minimize their impact.

Third, the Canada Health Network is being established on the Internet. Canadians everywhere will have direct access to objective, reliable and up-to-date health information across the board – from nutrition to breast cancer, Alzheimer’s to diabetes.

Fourth, this budget provides funding for an important initiative to apply up-to-date information technology to the delivery of health services. For instance, this will include telehealth – which holds extraordinary potential for the ability of doctors and nurses in rural and remote areas to communicate with the best specialists anywhere in the country.



Mr. Speaker, Canadians who live in rural and remote areas face unique problems. Innovations in community-based services are being developed across the country in response to their needs. This budget provides \$50 million over the next three years to continue developing with the provinces promising strategies for rural and community health.

Mr. Speaker, we tend to focus, as we must, on the health care system – on care and cure once we are sick. The question is, do we focus enough on the other half of the equation – on preventing sickness in the first place? As has been said, health is more than health care.

This budget provides \$287 million over the next three years for several initiatives relating to the prevention of illness.

For example, the Canada Prenatal Nutrition Program works to improve the health of women at risk to ensure they have healthy babies. Pregnancies put at risk by alcohol or drug abuse, family violence or other factors can have serious effects on children's lives.

Today we are announcing additional funding for this program over the next three years to enable it to reach the majority of women at risk.

Mr. Speaker, a healthy environment with clean water and safe food is critical to our health and well-being.

It is recognized that the programs we have in place to deal with toxic substances are far from adequate. This budget provides Environment Canada with the resources it needs to deal with that problem.

It also allocates additional resources to help ensure food safety in Canada.

Mr. Speaker, diabetes is a chronic health condition facing a great many Canadians, in particular Aboriginal peoples among whom it is three times more prevalent. This budget devotes important resources to addressing this serious situation.

In addition, health services for First Nations will be upgraded, through a separate \$190 million over the next three years.

Mr. Speaker, research is at the core of a quality health care system.

Better research is about better health for Canadians. It is about our hope that with improved care and treatment – prevention certainly and hopefully a cure – that a woman will overcome the tragedy of breast cancer, that a grandfather will be spared permanent memory loss, and that a son or daughter will regain nerve functions following a devastating accident or injury.

We must provide Canadians with the best medical research possible for the 21<sup>st</sup> century, for if we are to improve one of the world's finest health care systems, we must be a world leader in health research as well.

This begins with good research infrastructure. That is why, in 1997, we announced the creation of the Canada Foundation for Innovation – the CFI – whose purpose is to modernize the equipment and facilities necessary to develop and test new ideas.

Already, exciting projects supported by the CFI are underway. For example, at the University of Manitoba, researchers are working to reduce the 30-per-cent rejection rate for kidney transplants.

Researchers at Carleton University and the Kingston General Hospital are co-operating to upgrade MRI machines so that they are able to detect breast cancer earlier than they now can.

In only two years, the CFI is becoming an essential building block for health research in Canada. Approximately 45 per cent of the awards granted in 1998 went to health related research infrastructure in hospitals and universities.

As we will see later in this budget, its funding will be enhanced.

Mr. Speaker, nurses have borne a great deal of the brunt of the changes in the health care system. They are working under tremendous stress. There are predictions of a major shortage, yet it is impossible to imagine a quality health care system of the future that does not include a much larger role for nurses – in the community, in clinics, in hospitals, and in the home.

The Canadian Nurses Association has proposed that we create a \$25-million research fund in order to enhance the leadership role that nurses deserve to play in the health care system of today and tomorrow.

This budget does just that.

Mr. Speaker, the nature of modern health research has changed dramatically. It now spans a wide variety of disciplines – from genetics to nutrition, from microelectronics to the social and economic determinants of health – each of which can contribute greatly to the other. Based on that reality, over the past year, Canada's health research community, under the leadership of Dr. Henry Friesen, President of the Medical Research Council, has come together to develop an exciting new approach.

They have proposed to create the Canadian Institutes of Health Research.

Through a series of networks, the CIHR would bring together the best researchers – regardless of where they live in Canada – in areas such as aging, arthritis, women's health, cancer, heart disease and children's health.

The Institutes would consist of networks which would draw together scientists across the full spectrum of health research – from basic science to clinical research.

The CIHR would build on Canada's strengths – the dedication of our biomedical researchers, the leading-edge work of our social science researchers, the high quality of our research facilities, the excellence of our national health care system.

It would transform those strengths into an even stronger coherent whole.

Researchers have only rarely been called upon to explore solutions together to national health challenges. Through the CIHR our health research capacity across various specialities and disciplines will now be linked more productively to the major health issues facing the country.

Furthermore, the CIHR reinforces Canada's capacity to become a world leader in new breakthroughs across the medical spectrum. It would begin to reverse the drain of those who leave to seek greater opportunity elsewhere. Rather than relying on imported discoveries, Canada would capture new economic benefits – the new jobs – that come from bringing such breakthroughs to world markets ourselves.

Therefore, we are setting aside \$65 million in the year 2000-01 to support the launch of the new Canadian Institutes of Health Research – an amount we are prepared to increase to \$175 million the following year.

As well, \$35 million is being provided in 1998-99 to the Canadian Health Services Research Foundation to support its participation in the CIHR.

In order to provide immediate new support for advanced health research, and to bridge the transition, we are also announcing an increase of \$50 million in each of the next three years in the budgets of the three granting councils, the National Research Council and Health Canada.

Together, the increased funding for existing federal research organizations and the money being set aside for the CIHR will effectively make \$225 million of new resources available for the objectives of the CIHR by the year 2001-02.

The combination of all the initiatives just announced is to increase the funding for health research by \$550 million over the remainder of this fiscal year and the next three years.

Mr. Speaker, let me summarize the resources being devoted to health care in this budget. Over the next five years, the provinces will receive \$11.5 billion in new cash through the CHST for health.

\$6.5 billion of that will be made available over the next three years. During that same period, an additional \$1.4 billion will be invested in health research and other means through which the federal government contributes to Canada's health system. This means almost \$8 billion in new resources will be spent over the next three years on health care – the largest new investment we have ever made.

## **Equipping Canadians to Succeed in the 21<sup>st</sup> Century: Knowledge, Skills and Innovation**

Mr. Speaker, the fundamental economic challenge before us is to complete the task of putting in place the framework for a stronger economy, an economy where incomes are growing, where employment continues to increase, where the Canadian standard of living and quality of life are on the rise.

As the Prime Minister has said, and I quote: "Implementing a strategy to achieve a higher standard of living for all Canadians always comes back to dealing squarely with the same deeply rooted challenge: enhancing Canada's long-term productivity."



Mr. Speaker, greater productivity is about one thing. How to bring our human, natural and financial resources together to produce higher incomes, better jobs, and an enhanced quality of life for all Canadians.

The fact is, much of our economic challenge can be summarized in two words – knowledge and innovation. These are the new raw materials of the 21<sup>st</sup> century economy.

They are the key to a country that can race forward when the global seas are calm, and ride out the rough weather safely when they are not. Innovation and knowledge are two sides of the same coin – the true hard currency of the future, the sources of sustained growth.

Education is critical, for it equips Canadians with the skills, the aptitude and the attitude to seize the new opportunities the future has to offer.

That is why, in this budget, we have invested so much in supporting those engaged in post-graduate research.

However, what we seek is not simply knowledge for the few – but for the many.

That is why in the 1998 budget we launched the Canadian Opportunities Strategy, a seven-part plan to improve access to skills, training and higher education.

Let me simply describe the results of one of those initiatives since its inception one year ago – the Canada Education Savings Grant – a cash contribution from the federal government put directly into Registered Education Savings Plans – RESPs – established to help families save for a child's future.

This program has become a huge success in its first year alone.

In the 25 years since their inception in 1972 through to the end of 1997, there was a \$2.5-billion net accumulation in RESPs. However, in 1998 alone, with the introduction of Canada Education Savings Grants, the total soared to \$4 billion.

This is only the beginning. RESPs are now becoming as essential to saving for education as are RRSPs for retirement.

This and the other measures in last year's and this year's budgets are anchored in a very straightforward proposition: that every Canadian who wants to learn should have the opportunity to do so.

But as we work to develop that opportunity, let it also be clear that Canada's challenge begins well before the age of formal schooling. Our children will only seize the opportunities to learn if they are nurtured from the very earliest age to develop a readiness to learn. That is why in previous budgets we bolstered the Community Action Program for Children, why we are investing in Aboriginal Head Start, why, in this budget, we have expanded the prenatal nutrition program and why, as we will see later, we are increasing the Canada Child Tax Benefit for low- and middle-income families. Going forward, we must build on these initiatives still further.

Earlier, Mr. Speaker, I referred to knowledge and innovation as the flip sides of the same coin. Let us now turn the coin over.

From lab bench to factory floor, from farm to forest, innovation is the engine that creates jobs.

Over the past several years, we have put in place a new framework for innovation – a strategy that we have implemented step by step in each of our budgets.

That strategy has three parts – the creation of knowledge, the dissemination and sharing of knowledge and the application of knowledge – its commercialization, getting ideas out into the market. This budget takes further action in each of those three areas.

## **The creation of knowledge**

Mr. Speaker, in terms of the creation of knowledge, breakthroughs don't just happen. They require sustained investment.

As mentioned earlier, in 1997 the Canada Foundation for Innovation was created with an \$800-million investment whose purpose was to fund new and modernized research infrastructure at our universities, colleges, research hospitals and not-for-profit research institutions.

Based on its very clear success – and the crucial role it is now playing – this budget allocates a further \$200 million to the Foundation.

Through partnerships, the total federal investment in the Foundation will translate into \$2.5 billion in world-class facilities and equipment needed to make world-class discoveries – discoveries that will open the door to exciting commercial opportunities and jobs down the road.

Mr. Speaker, research and access to knowledge support one another. Therefore, building on the increased funding announced in last year's budget, the government's granting councils and the National Research Council will be provided more than \$120 million in further support, over and above that announced for health, over the remainder of this fiscal year and the next three years.

Finally, many believe that Canada has the capacity to become even more of a world leader in the field of biotechnology, one of the fastest growing of all new technologies.

This has huge potential applications ranging from agriculture and forestry to manufacturing and medicine.

As a result, we are committing \$55 million over the next three years to further support biotechnology research in science-based government departments.

## **Dissemination of knowledge**

Mr. Speaker, in terms of the dissemination of knowledge, we have set a goal of making Canada the most connected nation in the world by next year.

Thanks to SchoolNet, we are on course to see Canada's 16,000 public schools and 3,400 public libraries connected to the Internet by March 31 this year.

Up to 10,000 rural and urban communities will be connected through the Community Access Program in two years.

Building on these efforts, and following the advice of a Blue Ribbon Panel announced by the Prime Minister last year, this budget provides \$60 million over the next three years to fund "Smart Communities" demonstration projects. "Smart Communities" use information technology in new and innovative ways to empower their residents, institutions and region as a whole. Our goal is to establish at least one of these projects in each of our provinces, in the North and in an Aboriginal community.

In addition, this budget provides \$60 million over five years to build GeoConnections to ensure that Canada stays at the forefront of mapping and its applications. This initiative has tremendous potential for a whole range of industries and services – including search and rescue, agriculture, the natural resources sector and our efforts to deal with climate change.

## Commercializing knowledge

Mr. Speaker, in terms of value-added job creation, we must accelerate the furtherance of innovative technologies in all sectors of the economy.

The Networks of Centres of Excellence have been a successful part of this endeavour. They now link more than 900 researchers in 60 universities with over 400 companies across Canada.

In this budget, we are increasing their funding by \$30 million per year – an increase of more than 60 per cent.

This should support the creation of up to eight new Centres of Excellence, in areas ranging from information technology to molecular science.

In 1996 we established Technology Partnerships Canada to support industry in turning promising ideas into successful products. These investments focus on aerospace, environmental technologies, and enabling technologies such as advanced manufacturing and materials.

Today, we are announcing that the funding for Technology Partnerships Canada will be increased by \$50 million per year.

We are also providing \$50 million to the Business Development Bank of Canada to strengthen its ability to lend to small- and medium-sized businesses in knowledge-based export fields – firms that would otherwise have difficulty gaining access to capital.

In summary, the measures we have announced today, above and beyond health research, amount to more than \$1.8 billion in additional resources over the remainder of this fiscal year and the next three years for knowledge, innovation and support for employment programs.

These investments are all directed towards a single overarching goal – and that is to provide Canadians with a more diversified, more innovative economy in which to achieve their goals.

The fact is, as long as we are too dependent on ideas developed in other countries, our economy will remain unduly dependent on those countries. If we are to have a stronger, more innovative private sector, we simply must generate more knowledge and demonstrate greater initiative here ourselves.



Ours must be a country that excels in turning ideas into the value-added jobs of the future – in rural Canada as well as urban Canada – everywhere and in everything we do. Ours must be a country that has excellence as its goal. That is the route to a higher standard of living and a better quality of life for all Canadians in the 21<sup>st</sup> century.

## **Reducing Taxes for Canadians**

Let me now turn to the next part of our plan – reducing taxes, which is also part of our productivity agenda.

Mr. Speaker, we want to reduce taxes – as quickly and as broadly as we can.

As demonstrated last year, now that the books are in balance, we will get taxes down. We will do so in every single budget – and we will do so without prejudicing the soundness of our finances or the security of our society.

Our goal and our commitment is to ensure that Canadians keep more of the money that they earn. After all, they worked for it. It's theirs.

The principles of our tax policy are clear.

First, our tax system must be fair. Tax reductions must benefit first those who need it most – low- and middle-income Canadians.

Second, broad-based tax relief should focus initially on personal income taxes. That is where the burden is greatest – where Canadian taxes are most out of line with certain other countries.

Finally, because our debt burden is so high, broad-based tax relief should not be financed with borrowed money.

We want tax relief to be permanent – not temporary. The worst thing we could do would be to provide structural tax relief one year – only to have to rescind it the next – as a result of the country going back into deficit.

Mr. Speaker, in our last budget, with deficit elimination finally secure, we were able to put in place overall tax relief directed at low- and middle-income Canadians.

We said then that we would build on those measures in future budgets as resources permitted – that as soon as we could afford it, tax reductions would be broadened and deepened. In this budget, we are following through on that commitment, building on the initiatives taken last year.

First, personal tax credits ensure that no tax is paid on a basic amount of income. They make the tax system more fair.

Last year, we increased the amount of income that could be earned before paying one penny of tax by \$500 for singles – and \$1000 for couples and families.

As a first step, this measure was targetted to benefit low-income Canadians. The full amount of the benefit started to be reduced at about \$8,000 of income and was completely gone at \$20,000.

In this budget, effective July 1, 1999, that tax relief is being extended to all taxpayers.

Next, effective July 1, we are increasing the amount of income that Canadians can receive without paying taxes by a further \$175.

As a result of these measures, the amount of income all Canadians can earn tax-free will now be \$675 higher than before the 1998 budget.

This more than offsets the effect of inflation on the basic credits since 1992.

While all taxpayers will benefit from these measures, the largest proportionate benefit will go to low- and modest-income Canadians.

For example, due to the measures in last year's budget, 400,000 lower-income Canadians no longer pay income taxes. The measures just announced will ensure that 200,000 more Canadians will also be removed from the tax rolls.

Mr. Speaker, in 1986, the previous government introduced a 3-per-cent general surtax – a tax on tax – in order to help bring the deficit down.

Last year, with the books in balance, we began to eliminate that surtax, starting with taxpayers earning less than \$50,000, and reducing it for those earning between \$50,000 and \$65,000.

This year, we complete the job. As of July 1, the 3-per-cent surtax will be eliminated for each and every Canadian taxpayer.

Mr. Speaker, we have spoken about the support we are providing low-income Canadians through reducing their taxes. But there are many other ways in which we can provide – and are providing – assistance to families with children.

Through the creation of the National Child Benefit System, the federal and provincial governments are embarked on a major co-operative effort to support families and reduce child poverty. The purpose is to ensure that children in this country are always better off when their parents join the workforce.

In 1997, we announced the first federal contribution to this national endeavour – \$850 million which began flowing last July, increasing financial support to over two million children and their families.

In the 1998 budget, we announced that a further \$850 million would also be allocated, following consultations with the provincial and territorial governments.

These discussions have concluded in agreement. We are announcing, therefore, that the Canada Child Tax Benefit payments for low-income families will be increased by a further \$350 per child. This will be done in two stages – July 1, 1999 and July 1, 2000.

This means, for example, that a family with two children that earns \$20,000 will receive an increased benefit of \$700 for a total of \$3,750 per year.

Taken together, our two previous budgets provided \$1.7 billion for the children of low-income families.

Mr. Speaker, building on this effort, we are announcing today that a further \$300 million is being allocated to enhance the Canada Child Tax Benefit for modest- and middle-income families.

As a result, 100,000 more families will become eligible for all or part of the base benefit.

Let me illustrate the impact of the 1998 and 1999 budgets on typical Canadian families.

Consider the impact on a middle-income family – a family of four with two incomes totalling \$50,000.

That family received \$183 in tax relief as a result of the 1998 budget. This budget provides an additional \$373 to that family – \$189 through the increase in credits and \$184 in increased Canada Child Tax Benefit payments.

Putting last year's and this year's budgets together, that means \$556 more for such families – a 15-per-cent reduction in their net federal tax. And this does not include any consequential reductions in provincial taxes.

Consider as well a one-earner family of four earning \$30,000. That family received \$145 in tax relief from the 1998 budget.

As a result of today's budget, that family will receive \$353 more – \$169 through the increase in personal credits and \$184 in increased Canada Child Tax Benefit payments.

In fact, when the GST credit is included, this means that as a result of measures in this and the last budget, such families will now pay no net federal income tax whatsoever.

Mr. Speaker, in closing this section, let me summarize the combined impact of the tax measures set out here.

- Tax relief of \$16.5 billion will be provided over the next three years, \$7.7 billion of which results from actions in this budget. For the two budgets together, that's tax relief of \$3.9 billion in 1999-2000, \$6 billion in 2000-01 and \$6.6 billion in 2001-02.

- Low- and modest-income Canadians and their families will benefit most. Compared to the situation before the 1998 budget, 600,000 additional Canadians will now pay no federal income tax, 200,000 as a result of the actions in this budget.

- Finally, all 15 million Canadian taxpayers will receive tax reductions.

In addition, as a result of the reduction in employment insurance premiums announced in December, employers and employees are now paying \$1.1 billion less for employment insurance. Relative to the premium rates that prevailed in 1994, employers and employees are now paying \$3.5 billion less.

Mr. Speaker, the tax measures we have announced today are important and they are fair.

But our action to reduce taxes will not end here.



Let me be clear. As resources become available, the personal income tax burden in Canada will be further reduced.

This will occur year after year, each budget building on the progress made before.

## **Towards a New Canadian Century**

Mr. Speaker, the measures we have announced today mark a further stage in the implementation of the three-part plan begun in 1994.

First, when we came into office, the deficit and debt burden was rising relentlessly. The finances of the nation were out of control. Our response was immediate. Initially, we reduced the deficit. Then we eliminated it. Then, last year, we began to get our debt burden down.

Second, in this budget, we have moved to strengthen the confidence of Canadians in their health care system and we have further strengthened the sinews of an innovative, productive economy.

Third, we said at the outset that lowering taxes for Canadians was an ongoing priority. And so, as our financial health has improved, we have moved forward, focusing first on those least able to pay.

And in this budget, tax relief has been provided for each and every Canadian taxpayer.

From rising deficits to balanced books. From an increasing debt burden to one that is declining. From years of difficult cuts to an era where needed new investments are being made. From a tax burden that was rising to a time where it is falling.

That is the summary of this budget.

Looking ahead, there are two dangers that a responsible government must avoid.

First, a government that pretends it can be everything to everyone is a government that, in the end, will do nothing for anyone.

Government must focus on those areas where it can really make a difference. That is what we have done. That is what we will continue to do.

The second danger, on the other hand, is to become fixated on one major issue alone – and, as a result, leave every other pressing problem to fester.

We must never become a single issue government.

A focus only on new spending to the exclusion of everything else would put us back into the red. A focus on tax reduction alone would leave us unable to respond to the core needs of Canadians. A focus on debt reduction alone might make the books look better; it would also make everything else look worse.

We can never lose sight of the need to take a balanced approach. For the social and economic needs of a nation are not separate. They are not in conflict. The balanced pursuit of both is the key to the health – and the wealth – of our country.

Mr. Speaker, as a new century beckons, we can now say with confidence that a new beginning is truly at hand.

Behind us forever is the era of governments promising more than they could deliver and delivering more than they could afford.

We are freer than we have been for a generation to chart a new course for ourselves.

Mr. Speaker, in the early years of this century, Sir Wilfrid Laurier spoke of our prospects as a people. He said that the 20<sup>th</sup> century would belong to Canada.

Some since have scoffed at those words, pointing to great powers, great empires and great conquests. They have said he was wrong.

Well, Mr. Speaker, Laurier was right.

Not according to the cold calculations of might, but because of the quality of our life. Not because of any single value we have pursued, but because of the many values we have advanced together. The value of tolerance, of fairness. The value of working together – the peace we enjoy and the openness we show to each other.

Our opportunity today is to see our future as Laurier did, a country that refuses to set limits on what it can do.

There is so much we must continue to build. There is so much that lies ahead to accomplish.

There are barriers we must bring down – of circumstance and of privilege – and new bridges to be built that we can all cross together.

The story of this century may be over. But, the story of this country is not, it goes on.

Our goal must be to forge a new alliance – a free market and a fair society supporting one another.

It is time to act upon a new national dream – a dream anchored in the good sense of Canadians and their sense of the common good.

It is time to imagine a day when we have fully met the challenge of an aging population, met our obligations to the young and met our responsibility for nature's legacy to us, the environment. It is time to take the steps now that will take us closer to that destination.

Some may say this is too ambitious. We say there is no ambition too great for this country.

And so, let us come together – all of us – and make a pledge of common purpose: that we will do everything in our power today so that the generations of tomorrow are able to say not only that Canada belongs to the 21<sup>st</sup> century, but that the 21<sup>st</sup> century belongs to Canada.











